

The Contribution of Islamic Financing Instruments to the Enhancement of Food Security and Food Sovereignty: A Comparative Analytical Study in Light of International Experiences

Meflah Djilali ^{1*}, Haouadef Aicha ²

¹ University of Ali Lounici, Blida 2, Algeria – d.meflah.etu@univ-blida2.dz

² University of Ali Lounici, Blida 2, Algeria – prof.ahaouadef@gmail.com

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Abstract:

This paper examines the role of Islamic finance in enhancing food security and food sovereignty in Algeria through a comparative analysis of Salam, Murabaha, and Istisna'a, drawing on selected international experiences. The study highlights Algeria's high food dependency, The production-consumption gap, and the limited effectiveness of conventional agricultural, financing. Findings show that Islamic financing instruments can effectively support the food system, though with differing impacts: Salam is best suited for primary agricultural production, Istisna'a support agro-food productive uses/The paper concludes that integrating Islamic finance into a comprehensive food policy framework can significantly strengthen food security and sovereignty in Algeria.

Keywords: Islamic Finance; Food Security; Food Sovereignty; Salam; Murabaha; Istisna'a; Algeria.

Jel Classification Codes: G21, G23. Z12, Q18.

* Corresponding author

1. INTRODUCTION

The rising number of global supply chain disruptions together with market instability and climate emergencies and international political conflicts have shown how vulnerable food distribution systems are throughout developing nations. The agricultural sector faces continued financial struggles because investors remain unwilling to provide funding for agricultural projects due to their understanding that farming operations involve extended timeframes and elevated financial risks. Islamic finance operates as a financial system which connects directly to the actual economy because its risk-sharing approach enables it to theoretically back agricultural operations together with their related industrial sectors. The financial tool which most businesses use today limits its ability to create development because it focuses on short-term gains which creates doubts about its power to advance national food security through food sovereignty.

Study Problem:

This issue assumes particular significance in Algeria, in light of the continued food dependency on certain strategic commodities, the widening gap between domestic production and consumption, and the limited effectiveness of agricultural financing mechanisms, notwithstanding the integration of Islamic finance into the national banking system. Accordingly, the central problem addressed in this article is formulated as follows:

- To what extent can Islamic financing instruments contribute to enhancing food security and food sovereignty?
- And what are the specific contours and limitations of such a contribution in the Algerian context, considering the diversity of financing modes and their respective positions within the food value chain?

To address this problem, the present study seeks to answer the following subsidiary questions:

- What conceptual foundations govern the relationship between Islamic finance and food security and sovereignty?
- What are the principal structural imbalances of the food system in Algeria and the financing constraints associated with them?
- How do Islamic financing modes differ in their capacity to support

the various stages of the food value chain?

- To what extent can international experiences in mobilizing Islamic finance to promote food security and sovereignty be adapted in a manner consistent with Algeria's specific economic and institutional context?

Study Significance:

The research study obtains its value through two connected aspects which consist of scientific value and practical value. The scientific domain receives help from this research because it solves a research gap which development studies face because of missing links between Islamic financial tools and food sovereignty principles in Algeria. The research shows its value through its ability to compare different Islamic financial systems which support agricultural production and food industry operations. The research findings show how financial policies should support essential food-related activities through their findings about Islamic financial systems which support agricultural operations and food processing. The research findings reveal that Algeria needs to reduce its food imports because this approach will boost national food security and sovereignty through the implementation of sustainable agricultural practices.

Study Objectives:

The research establishes its foundation by combining scientific inquiry with real-world application needs. The study conducts scientific research to enhance understanding about how Islamic financial tools operate with food sovereignty principles in Algeria because this subject needs additional methodical investigation. The research seeks to identify how Islamic financial systems operate in agricultural development and food sector support because this information will help create funding guidelines which will decrease Algeria's food imports while protecting its national food autonomy.

Study Methodology:

The research applies descriptive methods to study food security patterns together with its financial framework while using analytical

methods to understand Islamic financial products' impact on the food value chain. The study employs a comparative method which evaluates salam and murābahah and istiṣnā' financial instruments and their implementation in Algeria against their use in other countries. The research problem demands this methodological diversity because it needs to analyze theoretical concepts together with practical data. The study performs qualitative analysis to assess financing tools which operate in the food value chain and their risk levels and their effects on production without using numerical measurement tools.

Study Structure:

The article consists of a theoretical and methodological introduction addressing the conceptual framework of Islamic finance, food security, and food sovereignty. It then presents a comparative analytical study of Islamic financing modes and their role in supporting the various stages of the food supply chain, drawing on selected international experiences, followed by an analysis of the state of food security in Algeria.

2. The Conceptual Framework of the Relationship between Islamic Finance, Food Security, and Food Sovereignty

2.1 Islamic Finance and Its Developmental Dimensions:

Islamic finance enables owners to provide financial resources which recipients must follow Islamic Sharia rules to use for supporting their proposed initiatives and delivering essential financial backing to economic sectors for their target achievement (Ayash & Samir, 2016, p. 116).

(Shaaban & Ali, 2010, p. 125) argue that Islamic finance does not merely represent an alternative financial mechanism; rather, it constitutes a financing paradigm aimed at directing capital toward productive sectors in a manner that serves development in general and economic development in particular.

Islamic finance shows great potential according to theoretical foundations yet research data proves that its practical use diverges from what these theories predict. The financial landscape shows short-term low-risk investments through murabaha dominate the market while they block access to more successful investment methods which follow extended

manufacturing production rhythms (Abu Al Saad & Al Saad, 2025, pp. 100-109). The present operational gap between theory and practice reduces the growth potential of Islamic finance because its success depends on institutions which need to focus their efforts toward vital economic domains including agricultural and agri-food sectors to assess their impact on national food systems.

2.2 The Concept of Food Security and Food Sovereignty

2.2.1 The Concept of Food Security:

The concept of food security has undergone significant development since the 1970s. It was defined at the World Food Conference in 1974 as follows: “The welfare of the peoples of the world depends to a considerable extent on the adequate production and distribution of food, as well as on the establishment of a world food security system that ensures the sufficient availability of food at reasonable prices at all times, irrespective of periodic climatic fluctuations and unforeseen changes, and free from political and economic pressures. Such a global system entails, among other responsibilities, facilitating the development process of developing countries” (United Nations, 1975, p. 04).

Subsequently, the Food and Agriculture Organization (FAO) adopted a more comprehensive definition, according to which food security is achieved “when all people, at all times, have physical, economic, and social access to sufficient, safe, and nutritious food that meets their dietary needs for an active and healthy life.” This definition indicates that food security is a multidimensional concept encompassing availability, access, utilization, and stability.

2.2.2 The Concept of Food Sovereignty:

The concept of food sovereignty emerged in 1996 at the initiative of La Via Campesina as a critique of the technical-liberal approach to food security. Food sovereignty was defined as “the right of peoples to healthy and culturally appropriate food, and their right to define their own food and agricultural systems” (FAO, 1996). The concept was further developed during the (Nyéléni forum, 2007), where emphasis was placed on national

control over agricultural and food policies, the primacy of local production, and the protection of natural resources. From this, it becomes evident that:

- Food security represents a technical-economic approach focused on availability and intensity;
- Food sovereignty, by contrast, represents a critical-political approach concerned with determining who holds decision-making power within the system.

Accordingly, achieving food security does not necessarily entail achieving food sovereignty, whereas food sovereignty implicitly incorporates food security within a framework of long-term autonomy.

Based on the definitions presented, it is clear that the concept of food sovereignty is not confined to the quantitative dimension of food security but extends beyond it to affirm a set of fundamental principles, which are illustrated in the following figure:

Figure 1: Principles of Food Sovereignty according to La Via Campesina (1996)



Source: Prepared by the student based on (Yap, 2013, p. 12).

In light of the foregoing, it may be concluded that food sovereignty is grounded in the recognition of food as a fundamental human right, the pursuit of equitable distribution of agricultural resources, the protection of

the environment, and the regulation of trade in a manner that serves local producers while limiting the dominance of large corporations, thereby reinforcing social justice and societal cohesion.

2.2.3 Islamic Finance at the Intersection of Food Security and Food Sovereignty

By virtue of its linkage to the real economy and its foundation upon risk-sharing principles, Islamic finance offers significant potential to support food systems, particularly in developing countries characterized by food dependency and weaknesses in conventional agricultural financing. However, its role in promoting food security may remain limited if it is confined to ensuring the availability of food commodities without strengthening local control over production and value chains. Hence emerges the necessity of aligning Islamic finance with a food sovereignty approach that emphasizes support for domestic production of strategic crops, the development of agro-industrial sectors, and the reduction of dependency on external markets.

In this context, the evaluation of Islamic financing modes should focus on the nature of their intervention within the food chain and their capacity to build sustainable productive capabilities, rather than solely on their jurisprudential legitimacy. Within this framework, the comparison between *salam* and *murābaḥah* contracts assumes particular importance, given the differences in their structural characteristics and their potential implications for food security and food sovereignty.

3. Islamic Financing Instruments and Their Role within the Food Value Chain (Salam, Murābaḥah, Istiṣnāʿ)

The effectiveness of Islamic financing instruments in supporting food security and sovereignty is not determined solely by their Sharīʿah compliance per se, but rather by the point at which they intervene within the food value chain, the stage of the food production cycle they target, the extent of their linkage to real economic activity, and their capacity to build sustainable productive capabilities.

3.1 The Salam Contract and the Financing of Primary Agricultural

Production

The salam contract constitutes one of the earliest financing instruments in Islamic jurisprudence. It was legislated in response to producers' need for liquidity prior to the completion of the production cycle. Juristically, it is defined as “a contract for a liability-described good, with deferred delivery and advance payment” (Ibn Qudamah, p. 300).

This definition demonstrates that the essence of salam lies in the advance provision of financing in exchange for deferred delivery of the commodity, subject to strict specification of quality characteristics and delivery date.

3.1.1 Areas of Salam Deployment within the Food Value Chain

The salam contract intervenes at the pre-production and pre-harvest stage, whereby the agricultural producer obtains liquidity at the beginning of the season, enabling the direct financing of agricultural activity without recourse to interest-based credit intermediaries. The financing is thus linked to a tangible crop with clearly defined specifications. (Obaidullah, 2005, pp. 95-98) affirms that salam represents one of the Islamic financing instruments most suited to seasonal agricultural activities in developing countries, as it provides advance financing tied to actual production, thereby reducing reliance on informal financing sources and avoiding their associated adverse effects.

3.1.2 The Productive Impact of Salam within the Framework of Food Security

Salam contributes to the promotion of food security by enabling producers to acquire essential inputs in a timely manner, reducing dependence on high-cost informal financing, and enhancing the stability of strategic crop production. Applied studies, such as those examining the experiences of Sudan and Pakistan, indicate a positive relationship between salam financing and the level of agricultural output (Qasimi & Madani, 2025, pp. 369-372).

3.1.3 Salam and Food Sovereignty

The significance of *salam* within the framework of food sovereignty stems from its capacity to support primary domestic production, strengthen

national control over the agricultural stage, and reduce the need to import essential commodities to offset production deficits. However, this role is contingent upon integrating *salam* into clearly defined agricultural policies targeting priority crops; otherwise, it risks becoming merely a partial financing instrument devoid of long-term structural impact.

3.2 Murabaha and the Financing of Agricultural Inputs

Murabaha is classified among trust-based sales in Islamic jurisprudence and is founded on the principle of disclosing the cost of the commodity and adding a known profit margin agreed upon by both parties. Al-Mawardi defined it as follows: “It is when one says: I sell you this garment on a murabaha basis, on the condition that its purchase price was one hundred dirhams, and I make a profit of one dirham on every ten” (Al Mawardi, 1994, p. 399).

From this definition, it is understood that *murabaha* constitutes a genuine sale rather than a loan. It requires knowledge of the cost and profit, honesty in disclosure, and the absence of uncertainty (*gharar*), which distinguishes it from usurious transactions. In the contemporary banking framework, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines banking *murabaha* as “a contract whereby the financial institution sells a commodity, after acquiring ownership thereof, at a deferred price comprising the purchase cost and a known profit margin” (see Sharia Standard No. 8).

3.2.1 Fields of Application of Murabaha within the Food Supply Chain

In the agricultural sector, *murabaha* is primarily employed to finance production inputs such as seeds, pesticides, and agricultural equipment. The financial institution purchases these inputs and subsequently resells them to the farmer at a deferred price, thereby enabling access to production requirements without the need for immediate liquidity. This mechanism is considered appropriate from both a Sharia and regulatory perspective, particularly given the definability and immediate deliverability of such inputs (Awad, 2020, pp. 159-160). Its intervention occurs between the pre-production stage and the production stage itself, without direct linkage to

the crop yield.

3.2.2 The Productive Impact of Murabaha

Despite its role in facilitating access to inputs, the impact of *murabaha* on production remains indirect in terms of substantive productive support. Its contribution becomes limited when directed toward imported inputs, thereby exerting a weak structural effect on food sovereignty. Empirical studies conducted in Algeria have demonstrated that the predominance of a commercial and consumption-oriented character in *murabaha* operations has diminished its developmental role within the agricultural sector (Gharda, 2020, p. 73).

3.2.3 Murābahah and Food Sovereignty

Murābahah, in and of itself, does not conflict with the requirements of food sovereignty; rather, its implications depend on the manner in which it is directed. When employed to finance local inputs and enhance productive capacities, it may perform a complementary role. However, if it is utilized merely as a formal substitute for a conventional loan, it may reinforce dependency rather than mitigate it.

3.3 The Istisnā' Contract and Its Role in Supporting Food Industries and Value Chains

In Islamic jurisprudence, *istisnā'* is defined as “a contract through which a party purchases, at present, something to be manufactured, whereby the seller undertakes to deliver it manufactured from materials provided by himself, according to specified characteristics and at a determined price” (al-Zarqā', 1420 AH, p. 20). Muḥammad Ra'fat Sa'īd defines it as “a contract for the sale of a liability-bound item that requires work to be performed in a specified manner” (Saeed, 2002, p. 11).

From these definitions, it is understood that *istisnā'* is based on the manufacturer's commitment to produce a good in accordance with agreed specifications in exchange for a known price, payable immediately, deferred, or in installments. This contractual flexibility renders it particularly suitable for financing industrial and food-related activities. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) addressed the juristic debate concerning the determination and nature of the

price through a precise regulatory formulation, defining the *istisnāʿ* contract as “a sale contract for something to be manufactured or constructed, whereby the manufacturer undertakes to deliver it in accordance with specified characteristics at a known price, payable immediately, deferred, or in installments” (see *Sharīʿah* Standard No. 11).

This definition constitutes the regulatory framework adopted for the application of *istisnāʿ* in contemporary banking practice, particularly in the financing of food industries.

3.3.1 Fields of Application of *Istisnāʿ* in Supporting the Food Industry

The *istisnāʿ* contract is among the most suitable financing instruments for food industries, given its direct connection to processes of manufacturing and transformation. Its application arises in the post-agricultural production stage and encompasses the financing of food-processing industries; the funding of storage facilities, such as silos and cold-storage units; and the development of food infrastructure, including the establishment of regional markets and slaughtering and processing units. Such interventions contribute to enhancing the efficiency of food supply chains and strengthening the linkage between production and consumption (Khenoussa, 2018, p. 15).

3.3.2 The Developmental Impact of the *Istisnāʿ* Contract within the Framework of Food Security

Food security is not confined solely to agricultural production; it also encompasses storage, processing, and distribution. In this context, (Obaidullah, 2005, pp. 99-102) demonstrates that the *istisnāʿ* contract constitutes one of the most appropriate Islamic financing instruments for funding industrial projects and infrastructure, thereby enabling the development of manufacturing facilities. The application of this instrument contributes to strengthening the stability of food supplies and enhancing the efficiency of the food system, which in turn positively affects the realization of the various dimensions of food security.

3.3.3 The *Istisnāʿ* Contract and the Enhancement of Value Chains and Food Sovereignty

The *istisnāʿ* contract contributes to strengthening food value chains by linking the stages of processing, storage, and distribution within an integrated financing framework. It provides the manufacturer with prior marketing assurance while enabling the purchaser to obtain products or facilities designed in accordance with actual needs, with the possibility of supervision and monitoring throughout the implementation phases (Zuhaili, 2001, p. 57).

From the perspective of food sovereignty, *istisnāʿ* constitutes a strategic instrument for supporting national control over the stages of food processing and for reducing dependence on imported processed food products. This, in turn, enhances the valorization of domestic agricultural production and increases national value added. However, the effective realization of this role remains contingent upon the integration of *istisnāʿ* within coherent industrial and food policies and its orientation toward food commodities of strategic priority.

4. Analytical Comparison of Islamic Financing Instruments

This section seeks to highlight the functional and developmental distinctions among the aforementioned Islamic financing instruments.

4.1 Methodological Framework for Comparison

The comparison is based on three principal methodological criteria: the locus of intervention of each financing instrument within the food chain—whether prior to production, during production, or subsequent to it; the level of financing-related risk associated with each instrument from both economic and developmental perspectives; and the nature of the productive impact and contribution to food security and food sovereignty in the short and long term. These criteria assume particular significance in developing economies, where the effectiveness of financing instruments is not assessed solely in terms of their capacity to reduce banking risks, but also in terms of their support for real production and their contribution to strengthening food autonomy (Chapra, 2008, pp. 1-2, 46-49).

Table (01): Comparison in terms of the locus of intervention of the financing instrument within the food chain—before, during, and after production

Instrument	Nature of Financing	Stage of Intervention
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The Contribution of Islamic Financing Instruments to the Enhancement of Food Security and Food Policy: A Comparative Analytical Study in Light of International Experiences

Salam	Direct financing of agricultural production	Before production or harvest
Murabaha	Financing of production inputs	Before and during production
Istisna‘	Financing of processing, storage, and infrastructure	After production

Source: Table prepared by the student based on Chapra.

The comparative analysis indicates that the three modes do not compete within the same stage of the value chain; rather, they function in a complementary manner. *Salam* targets the most vulnerable link—namely, pre-production financing—while *istisnā‘* addresses post-harvest structural imbalances. *Murābahah*, by contrast, performs an intermediary role with limited structural impact.

4.2 Risk Levels Associated with Financing Modes

4.2.1 Risks of the *Salam* Contract

The *salam* contract is considered the highest in terms of risk exposure (Ayub, 2007, p. 242), owing to its direct linkage to the inherent natural risks of agricultural production, such as climatic variability, yield instability, as well as the risks of non-delivery or deterioration in crop quality. These risks are classified among the structural risks of the agricultural sector, particularly in countries dependent on rain-fed agriculture (FAO, 2022). Nevertheless, such risks do not reflect an inherent deficiency in the contract itself, but rather the nature of the agricultural activity it is designed to finance.

4.2.2 Risks of the *Murābahah* Contract

Murābahah is characterized by a relatively low level of risk for financial institutions, as the bank sells a specified and existing commodity with a predetermined profit margin and gradual recovery of funds. The relatively low-risk profile of this mode explains its predominance in the practical application of Islamic finance, despite criticisms concerning its limited long-term developmental impact (Ayub, 2007, pp. 213-216).

4.2.3 Risks of the *Istisnā‘* Contract

Istisnā‘ occupies an intermediate position in terms of risk exposure.

Its risks are associated with completion timelines, potential cost overruns, and the quality of the final product. However, the use of parallel *istisnāʿ* arrangements allows for the distribution and relative mitigation of risks among the different parties involved.

The comparison thus demonstrates that the higher risk level associated with *salam* does not constitute a flaw in the contract itself, but rather reflects the intrinsic characteristics of agricultural activity. Conversely, the lower risk profile of *murābaḥah* accounts for its practical dominance despite its limited developmental effect. *Istisnāʿ*, meanwhile, occupies a middle position that enables risk distribution through mechanisms such as parallel *istisnāʿ*. See (AAOFI, 2021).

4.2.4 Productive Impact and Contribution to Food Sovereignty

The productive impact of *salam* manifests directly, as it provides liquidity at a critical stage of the agricultural production cycle, thereby supporting the continuity of agricultural activity among small-scale producers. This impact can be further strengthened when *salam* is incorporated into supportive agricultural policies targeting strategic crops (Obaidullah, 2005, pp. 95-98).

In the case of *murābaḥah*, this instrument contributes indirectly to the improvement of agricultural production through the financing of inputs. However, its impact remains conditional upon its orientation; its contribution to the achievement of food sovereignty diminishes when directed toward imported inputs or consumption-oriented activities rather than toward supporting domestic production (Chapra, 2008, pp. 46-49).

As for *istiṣnāʿ*, it is characterized by a structural and long-term productive effect, reflected in the enhancement of value added, the improvement of manufacturing and storage efficiency, and the reduction of food losses. Reports issued by the (FAO, 2022) indicate that investment in post-harvest stages constitutes a decisive factor in building a sustainable and resilient food system.

4.2.5 Conclusions

From the foregoing analysis, it may be concluded that no single Islamic financing instrument is independently capable of achieving food

security and sovereignty. The role of each instrument varies according to the nature of the activity and its position within the food value chain. The comparison demonstrates that salam represents the most appropriate instrument for financing primary agricultural production, while istiṣnāʿ constitutes a strategic tool for constructing food value chains. The impact of murābahah, by contrast, remains contingent upon its effective orientation toward productive activities. Accordingly, the adoption of an integrated approach to the deployment of Islamic financing instruments, one that takes into account the specific characteristics of the food value chain, constitutes an essential condition for maximizing their developmental impact in developing economies.

5. International Experiences in Employing Islamic Finance to Enhance Food Security

5.1 The Experience of Sudan in Utilizing Agricultural Salam

The experience of Sudan in employing agricultural salam represents a practical model of Islamic financing, as it has provided advance liquidity to farmers, contributed to risk-sharing, supported agricultural production, and enhanced the stability of food supply chains.

5.1.2 The Economic and Agricultural Context for the Application of Salam in Sudan:

The agricultural sector in Sudan constitutes one of the strategic pillars of the national economy, given its central role in generating employment opportunities and fostering economic and social stability. According to (FAO, 2022) data, agriculture absorbs between 40% and 45% of the total labor force and contributes approximately one-third of the gross domestic product, reflecting its structural significance within the Sudanese economy.

Prior to the expansion of Islamic financing modes, the agricultural sector suffered from a severe shortage of bank financing. This was primarily attributable to the incompatibility of conventional short-term loans with the seasonal nature of agricultural production, in addition to the high levels of credit risk associated with the sector, which led commercial banks to refrain from financing this vital activity. In this context, the

findings of an econometric study confirmed that the *salam* contract is particularly suited to financing agriculture in Sudan, given its statistically significant and positive effects on agricultural output (Mualley & Moh'd, 2022, p. 305).

Accordingly, Sudan moved at an early stage to adopt *salam* as an Islamic financing instrument compatible with the characteristics of agricultural activity, particularly with respect to strategic crops such as wheat and cotton. This orientation culminated in the establishment of the Sudanese Commercial Banks Portfolio for Agricultural Financing beginning with the 1991–1992 agricultural season, serving as an institutional framework for the large-scale implementation of *salam* (Boukassa, 2023, p. 11).

5.1.3 The Mechanism for Implementing Salam in the Experience of the Sudanese Commercial Banks Portfolio:

The Sudanese experience adopted a collective banking financing model, whereby several commercial banks participated in a single portfolio managed under a *mudaraba* arrangement with the Central Bank of Sudan, while direct financing was extended to agricultural enterprises through the *salam* contract (Boukassa, 2023, p. 11). Its implementation was reflected in a series of procedures, most notably:

- The payment of the *salam* capital in cash to the agricultural enterprise at the beginning of the agricultural season;
- The commitment of the financed enterprises to deliver the agreed-upon crops in accordance with specified standards and within a predetermined timeframe;
- The portfolio's assumption of responsibility for marketing the crops domestically or internationally upon receipt (Babiker, 1997, p. 74).

This experience witnessed significant expansion, with the number of participating banks reaching approximately eighteen in certain periods, while the volume of financing in some seasons exceeded two billion Sudanese pounds, primarily directed toward financing wheat and cotton production. It should be noted that the real value of these figures was affected by inflation rates and exchange rate fluctuations (Boukassa, 2023,

p. 12).

5.1.4 Results of Sudan's Experience in Employing the Salam Agricultural Financing Instrument

5.1.4.1 Positive Outcomes

The practical application of the salam financing instrument in Sudan demonstrated effectiveness in supporting and financing the agricultural sector. Empirical findings revealed a statistically significant positive relationship between bank financing extended through salam contracts and the level of agricultural output, thereby confirming the suitability of this instrument for financing agricultural activities in Sudan (Mualley & Moh'd, 2022).

On the basis of these findings, it may be concluded that the implementation of the salam instrument contributed to revitalizing agricultural finance after a period of limited activity. It facilitated improved allocation of financial resources toward the productive process, thereby enhancing agricultural producers' capacity to meet contractual obligations and relatively reducing reliance on conventional government financing mechanisms of an interest-based nature. Furthermore, the salam instrument enabled banks to accumulate strategic reserves of certain agricultural crops and to generate acceptable returns in comparison with conventional financing patterns, despite the elevated level of risk inherently associated with agricultural activities (Al Maghribi, 2011, p. 42).

5.1.4.2 Challenges and Negative Implications

Notwithstanding these achievements, several challenges emerged. These included repayment defaults in certain rain-fed regions as a result of drought and irregular rainfall, in addition to increased administrative and financial burdens associated with monitoring implementation and collection processes. Some farmers also misallocated salam funds to non-agricultural activities. Moreover, fluctuations in agricultural prices between the time of contract conclusion and the time of harvest generated a sense of inequity among certain producers (Ahmed, 1997, pp. 71-87).

The experience further revealed that weak agricultural technologies

and poor management of some large-scale projects constituted significant impediments to achieving optimal benefits from the salam instrument. This underscores that the success of this financing mechanism remains contingent upon the availability of a supportive productive and institutional environment (Boukassa, 2023, p. 14).

5.2 Pakistan's Experience in Utilizing Islamic Finance to Support Food Security

5.2.1 Economic and Agricultural Context

The agricultural sector in Pakistan constitutes a fundamental pillar of the national economy, contributing approximately 24 percent of gross domestic product and employing between 36 percent and 38 percent of the labor force, according to World Bank data (Word Bank, 2024).

Despite its importance, the sector has faced structural challenges, most notably limited access to formal financing and the high cost of conventional loans, which has compelled small-scale farmers to rely on high-risk informal sources. In this context, Islamic finance has emerged as a more suitable alternative aligned with the nature of agricultural activity, supported institutionally by the State Bank of Pakistan, which has included Islamic agricultural finance among its policy financing priorities over the past two decades (State bank of Pakistan, 2020, pp. 12-14).

5.2.3 Islamic Financing Instruments Utilized in Agriculture

Islamic banks in Pakistan rely on a number of Sharia-compliant financing instruments to meet the needs of the agricultural sector. Most notably, the *Salam* contract is employed to finance seasonal crops, *Murabaha* is used to fund agricultural inputs, and partnership arrangements are applied in certain cooperative agricultural projects. Periodic bulletins issued by the State Bank of Pakistan indicate that these instruments are incorporated within the structure of Islamic financing directed toward productive activities, including agriculture, albeit with variation in their relative significance in terms of volume and prevalence. Empirical studies further confirm the strong suitability of the *Salam* contract due to its alignment with the seasonal nature of agricultural production. A field study identified statistically significant differences between beneficiaries of

Salam financing and non-beneficiaries, both in terms of wheat yield per acre and in the efficiency of agricultural input utilization (Mahmood, Shirazi, Khaliq , & Mahmood, 2023).

Survey-based studies likewise indicate broader acceptance of this instrument among farmers compared to certain other financing methods, despite the persistence of institutional and operational challenges that constrain its wider diffusion (Manoori, Rehman, Jamil, & Ishfaq, 2018).

At the macroeconomic level, recent econometric analyses have demonstrated a statistically significant positive relationship between Islamic bank financing directed toward productive activities and the growth of agricultural output in Pakistan, once certain quantitative thresholds are surpassed, without attributing this effect to any specific financing instrument (Yasmina & Ayaz, 2023, pp. 211-232).

5.3 Lessons Learned and Prospects for Adaptation to the Algerian Context

The examined experiences demonstrate that the effectiveness of Islamic financing instruments in supporting food security is fundamentally linked to the institutional and regulatory framework and to their compatibility with the specific characteristics of the targeted agricultural activity. The *Salam* contract emerged as particularly appropriate given its alignment with production seasonality and its provision of liquidity prior to harvest. The Pakistani experience further illustrates that diversifying financing instruments, while prioritizing *Salam* and agricultural *Murabaha*, enhanced small producers' access to finance and reduced reliance on informal sources, supported by regulatory guidance and the strategic orientation of financing toward priority food sectors.

6. Limitations on Transferring Experiences to Algeria

The direct transplantation of these experiences to Algeria remains of limited utility, owing to differences in resource endowments and institutional configurations within the Algerian context. This limitation is further compounded by the relative nascency of Islamic finance in Algeria, the predominance of short-term financing instruments, and the incomplete

legal framework governing certain composite contractual structures.

6.1 Requirements for the Local Adaptation of Islamic Financing Instruments in Algeria

Adapting Islamic financing instruments to the Algerian context necessitates redirecting them primarily toward productive activities rather than concentrating on consumption-oriented modes. This entails activating *salam* contracts to finance strategic crops, linking *murabaha* operations to locally sourced production inputs, and strengthening the use of *istisna* ' in agro-industrial processing and storage activities. Such adaptation also requires enhanced institutional coordination between (Islamic) banks and the sectors involved in production, storage, and marketing, in order to ensure the stability of food supply chains and mitigate financing risks.

The development of risk management mechanisms—particularly the integration of *salam* contracts with agricultural insurance schemes and the improvement of extension services and technical monitoring—constitutes a fundamental prerequisite for the success of this instrument, as demonstrated by the experience of Sudan.

Finally, the adoption of a gradual approach is imperative, beginning with projects of strategic food priority and subject to periodic evaluation, as a preliminary step toward constructing a distinct Algerian model of Islamic finance that supports food security and food sovereignty.

6.2 The State of Food Security in Algeria

An analysis of the state of food security in Algeria constitutes an essential basis for identifying the prospects for deploying Islamic financing instruments in support of this domain, since the effectiveness of any financing mechanism is contingent upon its responsiveness to structural imbalances within the national food system. The principal features of this reality may be identified in terms of food dependency and the prevailing public policy framework.

6.3 Food Dependency

Algeria requires major food imports to obtain its vital commodities because its population consumes mostly cereals which form the basis of their national eating patterns. The nation produced 3.59 million tons of

cereals during 2023 but its domestic production failed to fulfill national requirements which forced the country to import large amounts of food to compensate for its agricultural deficit (CEIC DATA, 2025). The Food and Agriculture Organization (FAO) through its GIEWS program predicts that Algeria will require about 14 million tons of cereal imports during the 2024/2025 season which exceeds past import volumes thus proving the nation needs foreign food supplies for its agricultural system.

The agricultural system depends on foreign agricultural input imports which include seeds and fertilizers to maintain its current level of production. The dependence on foreign food supplies creates an unstable situation for national food security because worldwide market fluctuations and weather unpredictability threaten the system.

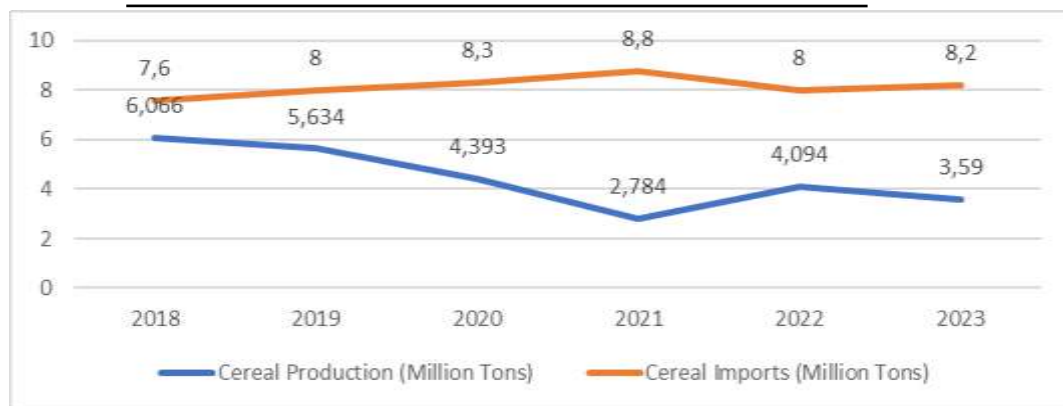
FAOSTAT together with FAO–GIEWS data reveal that domestic cereal production fails to satisfy national food consumption needs. The production numbers between 2018 and 2023 showed a range from 3.6 million tons to 6.0 million tons yet wheat imports and other cereal imports stayed between 7.6 million tons and 8.8 million tons each year. The nation depends so heavily on foreign food supplies because it needs to import 65 to 75 percent of its wheat and barley and more than 90 percent of its maize which creates a weak defense system against international market changes. The agricultural sector dedicated 2.9 million hectares to cereal production in 2023 but the sector failed to adopt modern techniques which led to poor crop yields that block Algeria from meeting its food import needs through homegrown harvests.

Table (02): presents the annual quantities of domestic cereal production and imports in Algeria

Year	2018	2019	2020	2021	2022	2023
Production (million tons)	6.066	5.634	4.393	2.784	4.094	3.59
Imports (million tons)	7.6	8	8.3	8.8	8	8.2

Source: Prepared by the author based on statistical data from (FAOSTAT; FAO–GIEWS).

Figure (02): Illustrates the gap between cereal production in Algeria and its imports during the period 2018–2023



Source: Prepared by the author based on statistical data from (FAOSTAT; FAO–GIEWS).

6.4 Existing Food Policies in Algeria

Over recent decades, Algeria has adopted food policies centered on supporting domestic production through price subsidies and the expansion of cultivated areas, particularly in the southern regions. Despite a relative improvement in food supply, these policies have not achieved a tangible reduction in food dependency, especially with regard to cereals. This reflects the limited effectiveness of conventional approaches based on direct subsidies that are not linked to sustainable productive financing mechanisms. Consequently, the gap between production and demand has persisted amid heavy reliance on imports and mounting demographic and climatic pressures. This situation necessitates a reorientation of policies toward supporting food value chains, including storage, processing, and modern agricultural technologies, alongside the integration of Islamic financing instruments within a national strategy for food security and food sovereignty.

6.5 Institutional and Legal Challenges to the Implementation of Islamic Financing Instruments in Algeria

Despite the relative development of the regulatory framework governing Islamic finance in Algeria, particularly following Monetary and Banking Law 09–23 and the opening of the sector to Islamic banks, its impact on financing productive sectors—especially agriculture—has remained limited. In practice, implementation has focused primarily on

short-term instruments, notably murabaha arrangements of a predominantly consumer-oriented nature or those linked to import activities, without effective orientation toward financing domestic food production.

This situation is attributable to the absence of a sectoral financing strategy incorporating productive instruments within food security policies, in addition to the weakness of bank financing directed toward the agricultural sector due to elevated risk levels, long production cycles, and insufficient collateral. The situation is further exacerbated by Sharia-related and operational challenges, most notably inadequate practical regulatory guidance, limited banking expertise, and high monitoring costs.

6.6 Prospects for Activation

Based on this diagnosis, the prospects for activating Islamic finance may be articulated along three principal trajectories: the development of cooperative salam arrangements to finance strategic crops and mitigate risk; the expansion of *istisna'* contracts to address deficiencies in processing and storage while enhancing value added; and the reorientation of murabaha financing toward production inputs within structured production and marketing contracts. The success of these instruments remains contingent upon institutional and regulatory reforms, as well as a clear strategic orientation toward productive activities.

7. CONCLUSION

The study shows that Islamic financial systems contain natural power to defend food security and sovereignty but their performance depends on their specific qualities and their position within the agricultural supply network. The research shows that Salam functions as the best financial instrument for supporting basic agricultural operations but *Istisna'* serves as a vital instrument to develop the food processing sector. The success of Murabaha depends entirely on its direction because it needs to support businesses which produce goods.

The instruments will not achieve their intended purpose in Algeria until the government creates a complete institutional system which connects financial resources to agricultural development and storage facilities and

industrial growth initiatives. The research findings enable future investigations about food production and food sovereignty because scientists can now measure the actual impact of Islamic financial systems through quantitative research methods.

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